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'After the crash': Life satisfaction, everyday financial practices and rural households in post Celtic Tiger Ireland

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A B S T R A C T

There has been much debate in rural studies concerning (uneven) processes of rural restructuring and its impact on redefining the role of rural areas and in underpinning different development trajectories across rural space. However, to date, there is currently a dearth of literature examining the impact of the current global financial crisis on rural localities, either in terms of how public policies have responded and/or adapted in relation to the potential increased vulnerability of rural localities in the face of extraordinary economic events and shocks. In this paper, we address this deficit by examining the impact of the global financial crisis and its implications for rural localities and households, drawing on Ireland as a case study. The paper aims to explore household everyday financial practices and coping strategies in relation to recession conditions in rural Ireland, in particular related to the bursting of the housing market bubble since 2007/08. To address these themes, the paper is structured as follows: first, we locate the discussion in the literature surrounding the global financial crisis and the role of the housing sector, before examining the implications for rural localities and rural housing markets. Second, the paper examines the housing boom and bust in Ireland and its relationship to the wider economy. Then, drawing on a customised household survey ($n = 753$), the paper examines the impact of the housing crash on life satisfaction, everyday financial practices and coping strategies among rural households.

1. Introduction

Over the last two decades, there has been much debate in rural studies concerning (uneven) processes of rural restructuring and its impact on redefining the role of rural areas and in underpinning different development trajectories across rural space. In this context, analysis of the shifting role and function of agriculture has provided a key departure point for examining rural transformations. For example, an extensive body of literature emerged in the 1990s (Munton, 1995; Lowe et al., 1993; Marsden, 1998; Murdoch et al., 2003) charting the demise of productivist agricultural models, opening opportunities for a substantial growth in demand for new uses for rural space (e.g. amenity, recreation, conservation, residential) and creating new conditions for actors to pursue their demands both in the market place and in the political system. Since the 1990s, key themes within the rural restructuring literature have included the shifting nature of agriculture (Wilson, 2008) and the related and contested emergence of new uses for rural space and competing societal demands for the consumption of 'rurality' (e.g. Woods, 2005, 2006). A significant body of literature has also examined the emergence of a new set of rural social geographies associated with diverse processes of rural in-migration. These include extensive studies of counterurbanisation (e.g. Halfacree, 2001; Mitchell, 2004), rural gentrification (e.g. Phillips, 2004, 2011), international migration (e.g. Halfacree, 2011), and retiring to the countryside (e.g. Stockdale, 2011). Increasing attention has also been given to the influence of external actors in shaping rural localities including capital, consumers and regulating bodies from processes of economic globalisation (e.g. Brunori and Rossi, 2007) and the increased significance of neoliberal ideas, policies and practices to the unfolding of social and spatial life in rural areas (e.g. Dibden et al., 2009; Shucksmith and Rønningen, 2011).

In essence, these studies have charted a series of 'radical breaks and ruptures within rural societies' (Smith, 2007, p. 275) leading to a fundamental reconfiguration of rural housing and land markets, local economies, rural resource use, spatial mobilities, and rural politics (Marsden, 2009; Bell and Osti, 2010). However, to date, there is currently a dearth of literature examining the impact of the current global financial crisis on rural localities, either in terms of how public policies have responded or adapted or in relation to the potential increased vulnerability of rural localities in the face of

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extraordinary economic events and shocks. In this paper, we address this deficit by examining the impact of the global financial crisis and its implications for rural localities and households, selectively focussing on the implications of a housing crash.

The overall aim of this paper then is to examine the impact and social consequences of a housing market crash at the local and household scale in a rural context to understand the local geographies of the crisis. In this context, the paper aims to explore everyday financial practices, life satisfaction and coping strategies at the household level in the aftermath of Ireland's worst ever housing crash in 2007/08. We focus on the impacts and social consequences of housing market collapse within the context of neoliberal practices in the housing sector for two primary reasons. First, the housing sector has been central to the global financial crisis. The current crisis had its origins in the US housing market (Harvey, 2011) and in the increasing financialisation and globalisation of mortgage markets prevalent since the 1990s (Aalbers, 2009a). Since 2007/08, housing and financial markets have experienced one of the greatest periods of volatility in modern history, with a long period of house price growth in markets across the world ending, followed by a housing market bust and a reversing of the massive expansion in the availability of mortgage lending (Scanlon et al., 2011). Second, the housing sector remains central to the overall shaping of opportunity structures in societies in terms of family formation, mobility and asset accumulation (Forrest and Hirayama, 2009). Within this context, Ireland provides an illustrative case study to examine the consequences of a housing bubble and its aftermath. Ireland's initial economic growth in the 1990s was swiftly followed by a housing and construction boom, characterised by rapidly increasing house prices, a massive increase in house building, and a concentration of the economy in the construction sector. These features were also prominent in rural areas, which witnessed a rapid increase in house building and a surge in land prices. However, since 2007, house prices have declined nationally by 50 per cent (Murphy and Scott (2013)) and the housing market is characterised by oversupply and unfinished development in both urban and rural areas.

The rationale for the *rural* focus in this paper is twofold. First, from an international perspective, there is a growing body of literature highlighting the penetration of global financial markets into different spatial contexts to examine the impacts of a 'global crisis' at the local scale (Langley, 2006; Wainwright, 2010; French et al., 2011). These issues have been primarily addressed in the US context where the explicit geographies of the sub prime crisis has been explored by researchers examining how local, primarily suburban, neighbourhoods have been affected by a crisis emerging from global financial networks (Wainwright, 2010): for example, see Immergluck (2008, 2009), Li and Morrow-Jones (2010) and Allen (2011) for studies of the foreclosure crisis in US suburbs, and Langley's (2006) study into the making of suburban subjects as property investors through new financial products and services in an Anglo-American comparative context. However, there is a much more limited geographical literature outside of the US that focuses on local and national scale studies. In this paper, we seek to extend this analysis by examining an under-researched spatial context by exploring the causes and consequences of the financial crisis beyond the city hierarchy to understand how financial networks and rural places and households have become intermeshed with negative outcomes for rural housing markets. Second, in a national context, while both urban and rural areas have experienced a housing crash in Ireland, significant differences exist between urban and rural housing systems to warrant an explicit rural focus. These include a distinctive system of housing supply in rural areas, a political culture in rural Ireland which has traditionally celebrated development and characterised by a laissez-faire approach to regulating house-building, unprecedented demographic changes, and emerging evidence to suggest that the rural housing market is experiencing a deeper crisis than its urban counterpart.

To address these themes, the paper is structured as follows: first, we locate the discussion in the literature surrounding the global financial crisis and the role of the housing sector, before examining the implications for rural localities and rural housing markets. Second, the paper examines the housing boom and bust in Ireland and its relationship to the wider economy. Then, using empirical data, the paper examines three areas associated with the housing crash in rural areas: (1) the impacts and consequences of the housing crash on perceptions of life satisfaction and quality of life issues; (2) household perceptions of post Celtic-Tiger change; and (3) existing household financial practices including mortgage practices, negative equity issues and associated coping strategies.

2. The global financial crisis, housing and rural localities

Since 2007, housing and financial markets have experienced one of the greatest periods of volatility and uncertainty in modern history (Scanlon et al., 2011). Initially, the crisis was centred on the banking sector and the so-called credit crunch, with its roots in the sub prime mortgage lending practices in the US leading to bank failures and plummeting stock markets (Gotham, 2009). This has been swiftly followed by a sovereign debt crisis in Europe, notably in Greece, Portugal and Ireland, the wider risk of contagion to larger economies (such as Spain and Italy), and the emergence of a political discourse focussing on fiscal discipline through (mainly) reductions in the level of public services and a retraction of traditional welfare state measures. Unsurprisingly the roots and nature of the crisis are contested in the literature and within the political arena. For example, David Harvey (2011) summarises many of the arguments put forward by traditional economists to explain the emergence of the crisis as rooted in:

- Human nature, in particular the greed and 'delusional' behaviour of investors and financiers;
- Institutional failures, especially in state regulation of the financial sector;
- 'Financial innovations' characteristic of the financial markets since the 1980s, leading to a loss of internal and external controls;
- A violent, but necessary correction to the imbalances of the global economy;
- Cultural and nationalist characteristics, caused, for example, by a flawed Anglo-Saxon economic model, or by 'feckless' southern Europeans.

For Harvey these are simplistic accounts and the crisis has deeper roots in the fundamental contradictions of capital accumulation and the switching of capital from the primary circuit of capital (manufacturing and industrial production) into a secondary circuit of real estate investment (see Harvey, 2005, 2010, 2011). In the context of this paper, Harvey identifies two key factors within the current economic crisis: (1) the deregulation and empowerment of the most fluid and highly mobile form of capital – money capital – "to reallocate resources globally, finding new ways to absorb risks through the creation of fictitious capital markets" (p. 5); and (2) bubbles in the asset market (such as housing and property markets) compensating for the lack of other investment opportunities, fuelled by finance capital and facilitated by extensive financial innovations.

Harvey's work has been increasingly applied in the wake of the financial crisis, in particular to examine the role of financial markets in the housing boom and bust. A key theme within this work has